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Michael Kitces speaks during his presentation Monday, Sept. 8, at Future Proof in Huntington Beach, California.
Rob Burgess/Financial Planning

Tech serving higher-value clients beats expanding capacity: Kitces
By Rob Burgess
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Technology to serve higher-value clients is more precious to firms than technology to expand current client capacity.

That was among the findings explored during Michael Kitces' presentation, "Trends in Advisor Technology: The Latest from Kitces Research," at Future Proof in Huntington Beach, California, on Monday.

"The Technology That Independent Financial Advisors Actually Use and Like: 2025 AdvisorTech Study" was conducted from March to April and collected

responses from over 700 advisors registered with Kitces.com.

The survey found that it is easier to double the average client, or average up, than it is to double the number of current-average clients served, or efficiency up.

Kitces outlined four main client-centered advisor philosophies of technology use: time efficiency, cost efficiency, quality optimization and client experience. The majority of respondents, 51%, reported quality optimization as the most important role of technology within an advisory practice. This means enhancing an advisor's ability to execute core job functions of delivering advice at a higher quality was at the top of mind.

"I'm pretty sure if I go out to say the top 100 vendors in the advisor tech space, and look at their websites about what they say their value proposition is, it's not this," said Kitces. "We actually have a significant misalignment. A lot of tech vendors, in the simplest sense, are selling efficiency instead of quality, and most of us are buying quality instead of efficiency."

Firms were classified into four groups based on their level of sophistication in integration of their tech stack, the incorporation of multiple tools in the tech stack and intentionality in how the tech stack is managed. Tech-essentials firms (34%) were not sophisticated in any of these three areas, tech-aware firms (38%) were in one, tech-enabled firms (21%) were in two and tech-driven firms (7%) hit all three.

The five key drivers of tech stack satisfaction are integration, incorporation, autonomy, nimbleness and intentionality, the study found.

The higher the level of sophistication, the closer it correlated with tech stack satisfaction. Tech-essentials firms rated their average satisfaction as 7 out of 10, tech-aware firms were at 7.3, tech-enabled firms were at 7.7 and tech-driven firms reached 8.

Perhaps surprisingly, though, the study found technological sophistication fails to drive advisor productivity. If productivity is defined as not doing everything by themselves, the technology can only go so far.

"If that sounds weird, you are correct," said Kitces. "We would have thought it would go the other way. Firms focusing on technology for productivity reasons are actually less productive when we boil down to how much revenue they are actually generating."

The revenue per employee by technological sophistication was roughly the same across all four categories. The media practice revenue per employee for a tech-essentials firm was $299,000, for tech-aware firms it was $292,000, for tech-enabled firms it was $265,000 and at tech-driven firms it was $289,000.

"This is not because tech is bad," said Kitces. "I'm not trying to bash tech efficiency in and of itself, but the key distinction here is that firms that focus on tech for cost and time efficiency generally, in principle, are trying to figure out how to minimize how much time they're spending with clients. That's kind of the whole point. I'm trying to do things faster and get to the next client so that I can increase my client capacity."

But the firms that go to the other end, focusing on client experience equality optimization, tend to go deeper with their clients, said Kitces.

"I don't want to go from 100 clients to 200 clients," said Kitces. "I want to go from 100 clients to 60 and I want 60 awesome clients. And it turns out that works much better."

Firms that focus on technology for efficiency tend to drag themselves down market to clients who pay less in fees in the first place, said Kitces.

"Firms that invest in tech that lifts them into more sophisticated, more complex clients tend to move up market," he said.